**RISK**

**What is Risk, Risk Management and Risk Response?**

**Risk** is an event occurring that may have a negative impact on achieving an organization’s objectives.

**Risk Management** is the process of identifying, assessing, prioritizing, and mitigating risks that could potentially affect an organization’s ability to achieve its objectives.

**Risk response** is the process of developing and implementing strategies to address risks that have been identified and assessed within an organization. The goal of risk response is to reduce or eliminate the negative impact of risks or to capitalize on opportunities that arise from potential risks.

In an organization, risk responses are strategies developed to manage potential risks that could impact objectives. The primary types of risk responses include:

**Types Of Risk Responses In An Organization And How They Identify The Risks**

**Types of Risk Responses**

1. **Exploit**: Taking actions to increase the likelihood of positive outcomes from a risk that could be beneficial.For example, investing more in a promising but risky project to maximize potential returns.
2. **Transfer**: Shifting the risk to a third party, typically through insurance (for potential accidents) or outsourcing work to professionals already handling the problems you’re encountering.
3. **Acceptance**: Acknowledging the risk and deciding to take no action to change the likelihood or impact, often due to low priority or cost considerations.
4. **Share**: Sharing the risk with other parties, such as forming a joint venture or strategic alliance.
5. **Avoidance**: Eliminating the risk entirely by not engaging in the activity that generates the risk.
6. **Mitigation**: Reducing the likelihood or impact of the risk through implementing controls and counter measures.

**How Organizations Identify Risks**

1. **Risk Assessment Workshops**: Stakeholders brainstorming.
2. **Risk Checklists**: Utilizes predefined lists of common risks in similar projects or industries.
3. **Historical Data Analysis**: Reviewing past incidents, near-misses, and lessons learned.
4. **Risk Audits**: Regularly reviewing processes, projects, and operations to identify new risks or changes in existing risks.
5. **Expert Judgment**: Consulting experts or specialized teams.
6. **Root Cause Analysis**: Examining the underlying causes of potential issues that could arise.
7. **Scenario Analysis and Simulation**: Using "what-if" scenarios and simulations to explore potential risks under different conditions and their impacts.
8. **Surveys and Questionnaires**: Collecting input from employees, customers, or other stakeholders to identify perceived risks.